



THEATER LATTE' DA
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2022



THEATER LATTE' DA

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended July 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Theater Latté Da
Minneapolis, Minnesota

Opinion

We have audited the accompanying consolidated financial statements of Theater Latté Da (a nonprofit organization), which comprise the consolidated statement of financial position as of July 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Theater Latté Da as of July 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted (GAAS) in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibility under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Theater Latté Da and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Theater Latté Da's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Theater Latté Da's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Theater Latté Da's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the impact sheet. The other information comprises the information included in the impact sheet but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on that work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

(Continued)

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, Theater Latté Da has adopted Accounting Standards Updates (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Non-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to those matters.

Report on Summarized Comparative Information

We have previously audited Theater Latté Da's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 26, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Consolidated Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 18 and 19 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2023, on our consideration of Theater Latté Da's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Theater Latté Da's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Theater Latté Da's internal control over financial reporting and compliance.

February 10, 2023

Mahoney Ulbrich
Christiansen & Russ, PA

THEATER LATTE' DA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

July 31, 2022

(With Comparative Totals for 2021)

	2022	2021
ASSETS		
Current assets:		
Cash	\$ 1,873,365	\$ 1,106,730
Accounts receivable	911	24,209
Current portion of contributions receivable	98,291	42,350
Inventory	2,115	5,485
Prepaid expenses	147,109	33,517
Total current assets	2,121,791	1,212,291
Contributions receivable, less current portion	12,500	-
Property and equipment, net	1,260,733	779,435
Total assets	\$ 3,395,024	\$ 1,991,726
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 129,670	\$ 31,408
Accrued payroll and related	39,202	24,811
Accrued interest	15,000	14,000
Deferred revenue	559,116	308,819
Current portion of notes payable	11,104	10,696
Total current liabilities	754,092	389,734
Notes payable, less current portion	504,235	678,295
Total liabilities	1,258,327	1,068,029
Net assets:		
Net assets without donor restrictions		
Undesignated	1,892,197	688,697
Board designated	152,000	182,000
Total net assets without donor restrictions	2,044,197	870,697
Net assets with donor restrictions	92,500	53,000
Total net assets	2,136,697	923,697
Total liabilities and net assets	\$ 3,395,024	\$ 1,991,726

See accompanying notes to consolidated financial statements.

THEATER LATTE' DA

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended July 31, 2022
(With Comparative Totals for 2021)

	2022			2021
	Without donor restrictions	With donor restrictions	Total	
Revenues and support:				
Revenues:				
Ticket sales	\$ 1,317,619	\$ -	\$ 1,317,619	\$ 61,910
Tour income	19,104	-	19,104	-
Restoration fees	41,352	-	41,352	35
Concessions				
Sales	36,023	-	36,023	705
Less: cost of goods sold	(18,615)	-	(18,615)	-
Rental income	3,750	-	3,750	3,500
Other revenue	18,786	-	18,786	2,293
Total revenues	<u>1,418,019</u>	<u>-</u>	<u>1,418,019</u>	<u>68,443</u>
Support:				
Contributions - foundations/corporate	87,500	167,500	255,000	74,600
Contributions - government	1,521,509	124,224	1,645,733	117,482
Contributions - individuals	797,386	-	797,386	671,451
PPP loan forgiveness	163,125	-	163,125	101,600
Special events - gala				
Ticket sales	21,200	-	21,200	41,945
Contributions	148,169	-	148,169	70,325
Contributions - in-kind	35,875	-	35,875	-
Less: cost of direct benefits to donors	(109,577)	-	(109,577)	(53,274)
Net assets released from restrictions	<u>252,224</u>	<u>(252,224)</u>	<u>-</u>	<u>-</u>
Total support	<u>2,917,411</u>	<u>39,500</u>	<u>2,956,911</u>	<u>1,024,129</u>
Total revenues and support	<u>4,335,430</u>	<u>39,500</u>	<u>4,374,930</u>	<u>1,092,572</u>
Expenses:				
Program services	2,384,585	-	2,384,585	551,769
Management and general	588,993	-	588,993	371,540
Fundraising	188,352	-	188,352	142,716
Total expenses	<u>3,161,930</u>	<u>-</u>	<u>3,161,930</u>	<u>1,066,025</u>
Change in net assets	1,173,500	39,500	1,213,000	26,547
Net assets, beginning of year	<u>870,697</u>	<u>53,000</u>	<u>923,697</u>	<u>897,150</u>
Net assets, end of year	<u>\$ 2,044,197</u>	<u>\$ 92,500</u>	<u>\$ 2,136,697</u>	<u>\$ 923,697</u>

See accompanying notes to consolidated financial statements.

THEATER LATTE' DA

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended July 31, 2022
(With Comparative Totals for 2021)

	2022						2021
	Program	Management and General	Fund- raising	Special Events	Cost of Goods Sold	Total	
Salaries	\$ 1,246,873	\$ 239,932	\$ 89,289	\$ -	\$ -	\$ 1,576,094	\$ 558,222
Payroll taxes	89,010	41,159	17,281	-	-	147,450	44,947
Employee benefits and union fees	124,684	10,446	4,389	-	-	139,519	43,782
	<u>1,460,567</u>	<u>291,537</u>	<u>110,959</u>	<u>-</u>	<u>-</u>	<u>1,863,063</u>	<u>646,951</u>
Artist contracts	204,825	10,763	-	-	-	215,588	72,313
Supplies	-	-	-	24,264	1,725	25,989	4,033
Royalties	90,582	269	-	-	-	90,851	1,124
Ticketing costs	91,292	1,067	-	-	-	92,359	4,836
Catering	-	-	-	44,890	-	44,890	7,918
Cost of food and beverage	-	-	-	-	14,954	14,954	-
Advertising and promotion	63,950	63,563	-	-	-	127,513	13,381
Consultants and contractors	7,054	48,256	67,199	32,463	-	154,972	33,724
Accounting	-	59,715	-	-	-	59,715	36,383
Legal	-	7,499	-	-	-	7,499	2,625
Travel	112,499	15,606	-	-	-	128,105	7,411
Occupancy	140,608	3,999	926	7,960	-	153,493	99,265
Office expenses	82,968	38,156	3,177	-	-	124,301	30,236
Information technology	3,198	1,507	633	-	-	5,338	30,459
Hospitality	5,823	1,994	129	-	-	7,946	2,870
Insurance	13,206	4,949	2,058	-	-	20,213	16,697
Interest	-	13,122	-	-	-	13,122	14,131
Equipment rental	25,567	3,458	1,310	-	-	30,335	10,178
Printing	13,276	700	1,324	-	-	15,300	9,070
Postage	8,278	1,292	637	-	-	10,207	5,720
Miscellaneous	-	4,528	-	-	917	5,445	10,542
Banking and service fees	-	1,790	-	-	1,019	2,809	4,574
Depreciation	60,892	15,223	-	-	-	76,115	54,858
Total expenses	<u>2,384,585</u>	<u>588,993</u>	<u>188,352</u>	<u>109,577</u>	<u>18,615</u>	<u>3,290,122</u>	<u>1,119,299</u>
Less expenses included with revenues on the statement of activities as cost of goods sold	-	-	-	-	(18,615)	(18,615)	-
Less expenses included with revenues on the statement of activities as cost of direct donor benefits	-	-	-	(109,577)	-	(109,577)	(53,274)
Total expenses by function	<u>\$ 2,384,585</u>	<u>\$ 588,993</u>	<u>\$ 188,352</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,161,930</u>	<u>\$ 1,066,025</u>

See accompanying notes to consolidated financial statements.

THEATER LATTE' DA

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended July 31, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 1,213,000	\$ 26,547
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	76,115	54,858
PPP loan forgiveness	(163,125)	(101,600)
Changes in operating assets and liabilities:		
Accounts receivable	23,298	35,202
Contributions receivable	(68,441)	107,101
Inventory	3,370	-
Prepaid expenses	(113,592)	13,439
Accounts payable	98,262	(37,594)
Accrued payroll and related	14,391	2,865
Accrued interest	1,000	(1,393)
Deferred revenue	250,297	55,401
Refundable advances	-	(64,125)
Net cash flows from operating activities	1,334,575	90,701
Cash flows from investing activities:		
Purchase of property and equipment	(557,413)	(7,722)
Net cash flows from investing activities	(557,413)	(7,722)
Cash flows from financing activities:		
Proceeds from PPP loans	-	163,125
Payments made on notes payable	(10,527)	(7,124)
Net cash flows from financing activities	(10,527)	156,001
Net increase in cash	766,635	238,980
Cash, beginning of year	1,106,730	867,750
Cash, end of year	\$ 1,873,365	\$ 1,106,730
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 12,122	\$ 15,524

See accompanying notes to consolidated financial statements.

THEATER LATTE' DA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended July 31, 2022
(With Comparative Totals for 2021)

1. ORGANIZATION

Theater Latté Da (Latté Da) is organized as a Minnesota nonprofit corporation to create new connections between story, music, artist, and audience by exploring and expanding the art of musical theater. Latté Da is celebrated locally and nationally as a beacon for advancing the art of musical storytelling through emotional, visceral, and intellectual performances that resonate with our current world.

TLD Holdings, LLC is a wholly owned affiliate which owns the theater building.

Latté Da's primary sources of support and revenue include individual, foundation, corporate, and government contributions; and revenue from theater productions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards Adopted - In 2022, Latté Da adopted Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Non-for-Profit Entities for Contributed Nonfinancial Assets*. Under the new standard, not-for-profits are required to show contributed nonfinancial assets as a separate line item in the statement of activities. Not-for-profits need to provide enhanced disclosures about in-kind contributions received including: disaggregating by category depicting the type of contributed nonfinancial asset, disclosing qualitative information about whether the contributed nonfinancial assets were either monetized or used during the reporting period, and describing any donor-imposed restrictions associated with the contributed assets. In addition, the valuation techniques and inputs used to arrive at a fair value measure must be disclosed.

Principles of Consolidation – The consolidated financial statements include the accounts of Latté Da and its affiliate TLD Holdings, LLC. Latté Da appoints the board of directors and has economic interest in TLD Holdings, LLC. All significant inter-organizational accounts and transactions are eliminated in consolidation.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

THEATER LATTE' DA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended July 31, 2022
(With Comparative Totals for 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation – Latté Da reports information regarding its financial position and activities in the following net asset categories:

- *Net Assets Without Donor Restrictions* - Net assets available to use in general operations at the discretion of management and the board of directors and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accounts Receivable – Accounts receivable are stated at net realizable value. The accounts receivable balance is considered collectible at year end; therefore, no allowance for bad debts has been recorded. It is management’s policy to charge off receivables when management determines the receivable will not be collected.

Contributions Receivable – Contributions receivable are recorded at the present value of estimated future cash flows. Contributions receivable have been recorded at the promised amount because the difference between the promised amount and the net present value of the promise is immaterial. Management believes that all amounts will be received when due, therefore no allowance for uncollectible amounts has been provided. Receivables are written off when, in management’s estimation, it is probable that the receivable is worthless.

Property and Equipment – Property and equipment are carried at cost, with the exception of donated equipment which is recorded at fair market value at date of gift. Additions with a cost of less than \$600 are expensed. Depreciation is computed using the straight-line method over the shorter of the estimated useful life of each asset. Maintenance and repairs are expensed as incurred. Major renewals or betterments that extend the lives of property and equipment are capitalized.

(Continued)

THEATER LATTE' DA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended July 31, 2022
(With Comparative Totals for 2021)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Contributions – Contributions are recognized as revenue when the donor makes a commitment to give to Latté Da that is, in substance, unconditional. Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. Contributions received before they are unconditional are recorded as refundable advances.

Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When the specific time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Donated Materials and Services – Donated materials are recorded as contributions, when received, at their fair value. Donated services are recorded as contributions at their estimated fair value only if the services create or enhance a nonfinancial asset or if the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Revenue Recognition – Ticket sales, tour income, and concessions are recognized at a point in time when the performances and sales take place, which represents when earned. Advance ticket sales, tour income, and concessions for future productions are recorded as deferred revenue.

Advertising Costs – Advertising costs are charged to expense during the year in which they are incurred, except costs that are for future productions which are recorded as prepaid expenses.

Functional Expenses – Latté Da allocates its expenses among its program and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Salaries, employee benefits, office, and insurance expenses are allocated based on employee time efforts. Occupancy and depreciation are allocated based on square footage.

(Continued)

THEATER LATTE' DA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended July 31, 2022
(With Comparative Totals for 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes – Latté Da is qualified as a not-for-profit organization under Internal Revenue Code Section 501(c)(3) and applicable Minnesota Statutes. Accordingly, it is not subject to income taxes except to the extent it has taxable income from businesses that are not related to its exempt purpose. Latté Da believes that it has appropriate support for any tax positions taken, and accordingly, does not have any uncertain tax positions that are material to the financial statements. TLD Holdings LLC is considered a disregarded entity and included in Latté Da's tax return.

Comparative Total Column - The financial statements include certain prior year summarized comparative information in total but not by net asset class or functionalized expenses. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Latté Da's financial statements for the year ended July 31, 2021, from which the summarized information was derived.

3. CONTRIBUTIONS RECEIVABLE

At July 31, 2022, unconditional promises to give consists of the following:

Amount receivable within one year or less	\$ 98,291
Amount receivable in 1 – 5 years	<u>12,500</u>
Contributions receivable	<u>\$ 110,791</u>

Latté Da has conditional promises to give of \$12,500 as of July 31, 2022, which consists of a government grant and a matching grant with remaining commitments that are conditional upon incurring eligible expenditures or reaching certain fundraising requirements. Conditional promises to give are recognized in the financial statements when the conditions have been met. The conditions are expected to be met in 2023.

(Continued)

THEATER LATTE' DA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended July 31, 2022
(With Comparative Totals for 2021)

4. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consist of the following:

	<u>2022</u>	<u>2021</u>
Cash	\$ 1,873,365	\$ 1,106,730
Accounts receivable	911	24,209
Contributions receivable	<u>98,291</u>	<u>42,350</u>
Total financial assets	1,972,567	1,173,289
Less amounts not available to be used within one year:		
Donor restricted net assets (Note 9)	(80,500)	(53,000)
Board designated reserve – operating reserve	(80,000)	(80,000)
Board designated reserve – building reserve	<u>(72,000)</u>	<u>(72,000)</u>
Total financial assets available within one year after Board designations	<u>\$ 1,740,067</u>	<u>\$ 968,289</u>

The Board designated building reserve includes a lender required reserve of \$45,000 and \$27,000 of unspent restoration fee surcharges designated for theater maintenance projects.

As part of Latté Da's liquidity management, Latté Da operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Latté Da also has a Board designated operating reserve, which could be made available for current operations if necessary.

(Continued)

THEATER LATTE' DA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended July 31, 2022
(With Comparative Totals for 2021)

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2022</u>	<u>2021</u>	Estimated useful life - years
Land	\$ 114,197	\$ 114,197	
Building and building improvements	1,177,635	714,830	5 - 30
Production and office equipment	<u>328,514</u>	<u>233,905</u>	3 - 15
	1,620,346	1,062,932	
Accumulated depreciation	<u>(359,613)</u>	<u>(283,497)</u>	
	<u><u>\$ 1,260,733</u></u>	<u><u>\$ 779,435</u></u>	

6. LINE OF CREDIT

Latté Da has a line of credit agreement for \$60,000 with BankCherokee that matured September 30, 2022. The interest is 5%. The line of credit is secured by all business assets of Latté Da. In September 2022 Latté Da entered into another line of credit agreement for \$60,000 with BankCherokee that matures September 30, 2024. The interest is 6%. The line of credit is secured by all business assets of Latté Da. There were no advances on the lines of credit at July 31, 2022 and 2021.

7. LETTER OF CREDIT

Latté Da has a letter of credit agreement for \$21,386 with BankCherokee that matured September 30, 2022. The beneficiary of the letter of credit is the Actor's Equity Association. In August 2022 Latté Da entered into another letter of credit agreement for \$15,160 with BankCherokee that matures September 30, 2023. The beneficiary of the letter of credit is the Actor's Equity Association. There were no advances on the letter of credit at July 31, 2022.

(Continued)

THEATER LATTE' DA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended July 31, 2022
(With Comparative Totals for 2021)

8. NOTES PAYABLE

Notes payables consist of the following:

	2022	2021
BankCherokee	\$ 313,039	\$ 323,566
City of Minneapolis #0623	102,300	102,300
City of Minneapolis #0624	100,000	100,000
BankCherokee PPP loan	-	163,125
Total	515,339	688,991
Less current portion	(11,104)	(10,696)
	\$ 504,235	\$ 678,295

BankCherokee – Mortgage note payable to BankCherokee in the original amount of \$365,000 with interest at 3.75%. The note requires monthly principal and interest payments of \$1,887 and matures August 29, 2041. Secured by the assets of Latté Da.

City of Minneapolis #0623 – Mortgage note payable to City of Minneapolis in the original amount of \$102,300 with no interest. The note matures October 25, 2025. The note will be forgiven in October 2025 if the property continues to be used as a performing arts facility.

City of Minneapolis #0624 – Mortgage note payable to City of Minneapolis in the original amount of \$100,000 with interest at 1%. Principal and unpaid interest are due October 25, 2025.

BankCherokee PPP loan – \$101,600 note payable to BankCherokee with interest at 1.0%. The note was funded through the Payroll Protection Program (PPP), a program developed by the Federal government in response to the COVID-19 pandemic. All or a portion of this note was forgivable if Latté Da used the proceeds from the note for payroll costs and other eligible expenses in accordance with the requirements of the PPP. If the proceeds were not used in accordance with the PPP guidelines, the note would be required to be repaid with monthly principal and interest payments. Unsecured. This loan was fully forgiven on May 10, 2021.

(Continued)

THEATER LATTE' DA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended July 31, 2022
(With Comparative Totals for 2021)

8. NOTES PAYABLE (Continued)

BankCherokee PPP loan number 2 – \$163,125 note payable to BankCherokee with interest at 1.0%. The note was funded through the Payroll Protection Program (PPP), a program developed by the Federal government in response to the COVID-19 pandemic. All or a portion of this note was forgivable if Latté Da used the proceeds from the note for payroll costs and other eligible expenses in accordance with the requirements of the PPP. If the proceeds were not used in accordance with the PPP guidelines, the note would be required to be repaid with monthly principal and interest payments. Unsecured. This loan was fully forgiven on September 20, 2021.

Maturities of notes payable for the years ending July 31 are as follows:

2023	\$	11,104
2024		11,497
2025		11,967
2026		214,723
2027		12,897
Thereafter		<u>253,151</u>
	\$	<u>515,339</u>

9. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table provides information about changes in deferred revenue for the year ended July 31:

	<u>2022</u>	<u>2021</u>
Deferred revenue, beginning of year	\$ 308,819	\$ 253,418
Revenue recognized that was included in deferred revenue at the beginning of the year	(297,330)	(11,917)
Increase in deferred revenue due to cash received during the year	<u>547,627</u>	<u>67,318</u>
Deferred revenue, end of year	<u>\$ 559,116</u>	<u>\$ 308,819</u>

(Continued)

THEATER LATTE' DA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended July 31, 2022
(With Comparative Totals for 2021)

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are for the following purposes or periods:

	2022	2021
General operations – time restricted	\$ 35,000	\$ -
Purpose:		
NEXT Commissions	25,000	15,000
NEXT Festival	-	20,000
Creating Online Programming	-	3,000
The Mississippi Project	-	15,000
Development & Enhancement	7,500	-
Love Them First Project	25,000	-
	<u>\$ 92,500</u>	<u>\$ 53,000</u>

11. DONATED MATERIALS AND SERVICES

In-kind materials and services not able to be used by Latté Da in their normal course of operations are used as fundraising items or sold.

In-kind materials are recorded as at their estimated fair value based on comparison to similar items. Auction items sold at the gala were valued according to the actual cash proceeds on their disposition.

Donated materials recorded were \$35,895 in 2022 and \$- in 2021. Donated services recognized were \$2,000 in 2022 and \$1,125 in 2021.

All in-kind contributions received by Latté Da for the years ended July 31, 2022 and 2021, did not have any donor restrictions.

12. LEASE AGREEMENTS

Latté Da has an operating lease for the scene shop expiring July 31, 2024. Monthly payments of \$2,312, increasing 3% annually, are due plus additional payments for real estate taxes and common area maintenance.

Rent expense was \$48,387 and \$46,480 for the years ended July 31, 2022 and 2021.

(Continued)

THEATER LATTE' DA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended July 31, 2022
(With Comparative Totals for 2021)

12. LEASE AGREEMENTS (Continued)

Latté Da leased a copier under an operating lease agreement which required minimum monthly payments of \$284 which expired November 2020. A new copier new lease was signed In February 2021 which requires monthly payments of \$295 and expires January 2025.

Minimum future lease payments for the years ending July 31 are as follows:

2023	\$	33,842
2024		34,754
2025		3,542
2026		<u>1,771</u>
	\$	<u>73,909</u>

13. CONCENTRATIONS

Latté Da places its cash with two financial institutions. At times, the amount on deposit exceeds the insured limit of an institution which exposes Latté Da to a credit risk. Latté Da has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on these accounts. At July 31, 2022 and 2021, deposits exceeded the federally insured limit by \$1,379,100 and \$574,573, respectively.

14. COVID-19

A nationwide public health emergency developed in 2020. Many states have enacted measures to combat the global pandemic resulting from a novel strain of coronavirus known as COVID-19. Measures have included regulatory restrictions on citizen and business activities as well as recommendations for further voluntary curtailment of activities. Latté Da's in-person productions were cancelled due to the pandemic. The annual spring gala was transitioned into a virtual event in the fall of 2020. In 2022 Latté Da begun producing in-person productions and the gala was held in person again. Latté Da obtained two PPP loans (See Note 8), obtained \$53,500 in Employee Retention Credits, and received a Shuttered Venues Operator Grant of \$1,443,010. The future potential impact of these issues is unknown and therefore no estimate can be made at this time.

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 10, 2023, the date on which the financial statements were available for issue.

SUPPLEMENTARY CONSOLIDATING INFORMATION

THEATER LATTE' DA

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

July 31, 2022

	Theater Latte' Da	TLD Holdings	Eliminations	Total
ASSETS				
Current assets:				
Cash	\$ 1,757,306	\$ 116,059	\$ -	\$ 1,873,365
Accounts receivable	555,195	-	(554,284)	911
Current portion of contributions receivable	98,291	-	-	98,291
Inventory	-	2,115	-	2,115
Prepaid expenses	147,109	-	-	147,109
Total current assets	2,557,901	118,174	(554,284)	2,121,791
Investment in LLC	104,500	-	(104,500)	-
Contributions receivable, less current portion	12,500	-	-	12,500
Property and equipment, net	69,377	1,191,356	-	1,260,733
Total assets	\$ 2,744,278	\$ 1,309,530	\$ (658,784)	\$ 3,395,024
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 129,670	\$ 554,284	\$ (554,284)	\$ 129,670
Accrued payroll and related	39,202	-	-	39,202
Accrued interest	-	15,000	-	15,000
Deferred revenue	559,116	-	-	559,116
Current portion of notes payable	-	11,104	-	11,104
Total current liabilities	727,988	580,388	(554,284)	754,092
Notes payable, less current portion	-	504,235	-	504,235
Total liabilities	727,988	1,084,623	(554,284)	1,258,327
Net assets:				
Net assets without donor restrictions				
Undesignated	1,843,790	152,907	(104,500)	1,892,197
Board designated	80,000	72,000	-	152,000
Total net assets without donor restrictions	1,923,790	224,907	(104,500)	2,044,197
Net assets with donor restrictions	92,500	-	-	92,500
Total net assets	2,016,290	224,907	(104,500)	2,136,697
Total liabilities and net assets	\$ 2,744,278	\$ 1,309,530	\$ (658,784)	\$ 3,395,024

See independent auditor's report.

THEATER LATTE' DA

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended July 31, 2022

	Theater Latté Da	TLD Holdings	Eliminations	Total
Revenues and support:				
Revenues:				
Ticket sales	\$ 1,317,619	\$ -	\$ -	\$ 1,317,619
Tour income	19,104	-	-	19,104
Restoration fees	-	41,352	-	41,352
Concessions				
Sales	-	36,023	-	36,023
Less: cost of goods sold	-	(18,615)	-	(18,615)
Rental income	3,750	111,100	(111,100)	3,750
Management fees	30,329	-	(30,329)	-
Other revenue	18,734	52	-	18,786
	<u>1,389,536</u>	<u>169,912</u>	<u>(141,429)</u>	<u>1,418,019</u>
Total revenues				
Support:				
Contributions - foundations/corporate	255,000	-	-	255,000
Contributions - government	1,645,733	-	-	1,645,733
Contributions - individuals	797,386	-	-	797,386
PPP loan forgiveness	163,125	-	-	163,125
Special events - gala				
Ticket sales	21,200	-	-	21,200
Contributions	148,169	-	-	148,169
Contributions - in-kind	35,875	-	-	35,875
Less: cost of direct benefits to donors	(109,577)	-	-	(109,577)
	<u>2,956,911</u>	<u>-</u>	<u>-</u>	<u>2,956,911</u>
Total support				
Total revenues and support	<u>4,346,447</u>	<u>169,912</u>	<u>(141,429)</u>	<u>4,374,930</u>
Expenses:				
Program services	2,312,572	213,442	(141,429)	2,384,585
Management and general	557,659	31,334	-	588,993
Fundraising	186,957	1,395	-	188,352
	<u>3,057,188</u>	<u>246,171</u>	<u>(141,429)</u>	<u>3,161,930</u>
Total expenses				
Change in net assets	1,289,259	(76,259)	-	1,213,000
Net assets, beginning of year	<u>727,031</u>	<u>301,166</u>	<u>(104,500)</u>	<u>923,697</u>
Net assets, end of year	<u>\$ 2,016,290</u>	<u>\$ 224,907</u>	<u>\$ (104,500)</u>	<u>\$ 2,136,697</u>

See independent auditor's report.

THEATER LATTE' DA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended July 31, 2022

<u>Federal Grantor/Pass-through Grantor / Program Title</u>	<u>Assistance Listing number</u>	<u>Federal Expenditures</u>
U. S. Small Business Administration:		
Shuttered Venue Operators Grant	59.075	<u>\$ 1,443,010</u>
Total U. S. Small Business Administration		<u>1,443,010</u>
National Endowment for the Arts:		
Promotion of the Arts Grants to Organizations and Individuals	45.024	<u>10,000</u>
Total National Endowment for the Arts		<u>10,000</u>
Total expenditures		<u><u>\$ 1,453,010</u></u>

(Continued)

THEATER LATTE' DA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended July 31, 2022

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Theater Latté Da under programs of the federal government for the year ended July 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Theater Latté Da, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Theater Latté Da.

Note 2. Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

Note 3. De Minimis Indirect Cost Rate

Theater Latté Da has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Theater Latté Da
Saint Paul, Minnesota

We have audited the financial statements of Theater Latté Da (a nonprofit organization), which comprise the consolidated statement of financial position as of July 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated February 10, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Theater Latté Da’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Theater Latté Da’s internal control. Accordingly, we do not express an opinion on the effectiveness of Theater Latté Da’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying Schedule Findings and Questioned Costs as item 2022-01, that we consider to be a significant deficiency.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Theater Latté Da's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control.

Mahoney Ulbrich
Christiansen & Russ, PA

February 10, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Theater Latté Da
Saint Paul, Minnesota

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Theater Latté Da's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on Theater Latté Da's major federal program for the year ended July 31, 2022. Theater Latté Da's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Theater Latté Da complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended July 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Theater Latté Da and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Theater Latté Da's compliance with the compliance requirements referred to above.

(Continued)

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Theater Latté Da's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Theater Latté Da's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Theater Latté Da's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Theater Latté Da's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Theater Latté Da's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Theater Latté Da's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

(Continued)

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mahoney Ulbrich
Christiansen & Russ, PA

February 10, 2023

THEATER LATTE' DA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended July 31, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued	Unmodified		
“Going concern” emphasis-of-matter paragraph included in the auditor's report?	<u> </u> yes	<u> X </u> no	
Internal control over financial reporting:			
• Material weakness(es) identified?	<u> </u> yes	<u> X </u> no	
• Significant deficiency(s) identified?	<u> X </u> yes	<u> </u> none reported	
Noncompliance material to consolidated financial statements noted?	<u> </u> yes	<u> X </u> no	

FEDERAL AWARDS

Internal control over major programs:			
• Material weakness(es) identified?	<u> </u> yes	<u> X </u> no	
• Significant deficiency(s) identified?	<u> </u> yes	<u> X </u> none reported	
Type of auditor’s report issued on compliance for major programs	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	<u> </u> yes	<u> X </u> no	
Identification of major programs:	Assistance Listing Number 59.075 – Shuttered Venue Operators Grants		
Dollar threshold used to distinguish between type A and type B programs	<u> \$ 750,000 </u>		
Auditee qualified as low-risk auditee?	<u> </u> yes	<u> X </u> no	

THEATER LATTE' DA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended July 31, 2022

SECTION II – FINDINGS – CONSOLIDATED FINANCIAL STATEMENTS AUDIT

2022-001 Lack of Segregation of Duties

Condition – Due to the limited number of employees employed by Theater Latté Da, there is a lack of adequate segregation of duties.

Criteria – Effective internal controls, including an adequate segregation of duties, over the financial reporting process are necessary to prevent misstatements. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Effect – A misstatement of the financial statements could occur and not be prevented or detected.

Cause – Theater Latté Da has a limited number of staff.

Recommendation – Management and the Board of Theater Latté Da should continue to be active in monitoring financial reports and activities of the organization to ensure oversight to help compensate for the lack of segregation.

Auditee's comments and response – Management and the Board of Theater Latté Da will continue to monitor financial reports and activities of the organization to ensure proper oversight and will accept responsibility for the annual consolidated financial statements prior to their issuance.

Responsible party for the corrective action – Elisa Spencer-Kaplan, Managing Director

SECTION III - FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

No matters were noted.